

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Periodic Reporting
(Proposal Four)

Docket No. RM2021-7

CHAIRMAN'S INFORMATION REQUEST NO. 1

(Issued August 6, 2021)

To clarify the Postal Service's petition to consider proposed changes in analytical principles, filed July 22, 2021, the Postal Service is requested to provide written responses to the following questions.¹ The responses should be provided as soon as they are developed, but no later than August 13, 2021.

1. Please refer to the Petition Attachment, folder "RM2021-7_SPCCS," folder "Workbooks," Excel file "SPCCS_CostImpact_Final_Public.xlsx" (Cost Impact File), tab "TableForProposal NP," cells B36 and D36. The proposed Special Purpose Carrier Cost System (SPCCS) methodology produces significantly different unit costs than the existing City Carrier Cost System – Special Purpose Route (CCCS-SPR) methodology for both Parcels and Collect on Delivery (COD) service.
 - a. Please explain the reason(s) for the 7.92 percent decrease in unit cost for COD service under the proposed SPCCS methodology.
 - b. Please explain the reason(s) for the 6.34 percent increase in unit cost for Parcels under the proposed SPCCS methodology.

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Four), July 22, 2021 (Petition). See *also* submitted attached materials in folder "RM2021-7_SPCCS_Attachmnt.zip," July 22, 2021 (Petition Attachment).

2. Please refer to the Petition Attachment, folder “RM2021-7_SPCCS,” file “SPCCS_System_Documentation.pdf” (SPCCS Documentation), which states that “[i]n the second step, allocation, the number of carrier-days to be sampled in each stratum is determined.” SPCCS Documentation at 3. Please explain in detail how the number of carrier-days for sampling is determined.
3. Please refer to the Petition, which states that “[o]ne benefit of the proposed SPCCS is that it enables collection of enough data to estimate separate distribution factors for peak and non-peak time periods” and that “[g]iven the separation of the cost pool and the availability of the data, the Postal Service[] believes an annual update of the hours that are used to weight the combination of the new Monday through Saturday non-peak SPR cost pool variability to be prudent.” Petition at 3-4. Please explain why the hours used to weight the non-peak variabilities will be updated annually while the hours used to weight the peak variabilities will not be updated annually.
4. Please refer to the Petition, which states that under the proposed methodology “[coefficients of variation (CVs)] for non-peak season estimates are expected to be reduced by almost 80 percent relative to the CVs for the current CCCS-SPR full-year estimates. CVs for peak season alone are expected to be reduced by approximately 50 percent relative to the current CCCS-SPR full-year estimates, despite representing only a five- or six-week period of the year.” Petition at 5. Please provide a detailed analysis comparing the CV estimates under the current and proposed methodologies. In your response, please specify for which time periods the current and proposed CVs were estimated, the sources of estimations, and an explanation of the methodology of the analysis.
5. Please refer to the SPCCS Documentation, which states that “[CVs] for the estimated annual distribution factors . . . are developed using the replication methods for variance estimation provided by the SAS PROC SURVEYMEANS.” SPCCS Documentation at 7 (citation omitted). Please state the precise replication method used for the estimation, explain the method, and state the reason(s) for the preference of the method used over any other available

replication methods, or the Taylor series (first order) approximation method that was previously used.

6. Please refer to the SPCCS Documentation, which states that “[a]fter obtaining the total hours for each sample unit, hours by operation number are used to classify the route type as parcel, combination, [labor distribution code (LDC)] 24, or other.” SPCCS Documentation at 2. In Docket No. ACR2020, the Postal Service explained that the classification process in CCCS-SPR entails classifying each route type as parcel, relay, combination, or other.² Please confirm that the LDC 24 and “other” classifications used in the proposed methodology represent the same routes as the relay and “other” classifications used in Library Reference USPS-FY20-34, respectively.
7. Please refer to the SPCCS Documentation, which states that “[s]tratifcation is the process of assigning units with similar characteristics to the same group.” SPCCS Documentation at 2. Please also refer to the Petition, which states that “[a]n additional benefit of SPCCS is that it enables separate estimates by the carrier subcategory, part- or full-time.” Petition at 6.
 - a. Please explain the purpose of stratifying sample units in general in the Time and Attendance Collection System (TACS) data for the purpose of estimating SPR costs.
 - b. Please explain the purpose of stratifying sample units in the TACS data by parcel, combination, LDC 24 routes, and “other routes” for the purpose of estimating SPR costs. In your response, please explain how these various strata differ and why that difference is significant.
 - c. Please explain the purpose of stratifying sample units in the TACS data by carrier subcategory for the purpose of estimating SPR costs. In your

² See Docket No. ACR2020, Library Reference USPS-FY20-34, December 29, 2020, file “USPS-FY20-34_CCCS_Preface.pdf,” at 16.

response, please explain how these various strata differ and why that difference is significant.

- d. Please explain the purpose of stratifying sample units in the TACS data by “high” or “low” classifications based on the total LDC 23/24 hours for the purpose of estimating SPR costs. In your response, please explain how these various strata differ and why that difference is significant.
8. Please refer to the Petition, which states that “[a] final benefit is that SPCCS does not require labor resources for manual data collection, further assisting the Postal Service by reducing data collection costs.” Petition at 6. Please confirm that the Postal Service has estimated the savings in data collection costs under the proposed methodology.
- a. If confirmed, please provide the estimated cost savings.
 - b. If not confirmed, please explain the reason the Postal Service has not estimated the potential cost savings.
9. Please refer to the SPCCS Documentation, which states that “[u]sing the route type, employee type, and hours usage information, each sample unit is assigned to one of twelve strata.” SPCCS Documentation at 3. Please explain why “other routes” and LDC 24 routes do not have stratification by carrier subcategories (full-time and part-time).

By the Chairman.

Michael Kubayanda